

2010 Catawba County State Legislative Agenda



Support an increase to \$35,000 in the Homestead Exclusion income limit.

The Board of Commissioners passed a Resolution on November 19, 2007 advocating for an increase in the Homestead Exclusion income limit to \$35,000. This will provide much-needed property tax relief for the senior citizens of Catawba County.

During the 2009 Long Session, several bills related to this goal were filed. House Bill 396 and Senate Bill 500, which were sponsored by our local delegation, would authorize an increase in the income limit for the Homestead Exclusion Act to \$35,000. A similar bill introduced during the session, House Bill 423, would raise the income limit to \$30,000. None of these Bills moved beyond committee during the 2009 Long Session.

Support a fairer distribution method in the School Capital Fund Formula/Lottery Proceeds.

Of the Lottery funds dedicated to school construction, 65 percent is distributed on a per student basis and 35 percent of the funds are given to counties that have an effective tax rate that is higher than the statewide average. Since Catawba County has a lower tax rate than the statewide average, the current distribution formula puts Catawba County at a tremendous disadvantage since the County cannot access 35% of the funds. For example, if the 35 percent that is distributed based on the effective tax rate were distributed based on a per student allocation to each county, Catawba County could receive an additional \$1 million from Lottery proceeds.

During the 2009 Long Session, several bills were introduced that addressed a fairer distribution of lottery funds to school construction. Senate Bill 2/House Bill 352 and House Bill 268 would have changed the school construction formula so that all funds are distributed based on average daily membership of pupils. An additional bill introduced (Senate Bill 771) would have reallocated lottery funding from class size reduction and Pre-K program to school construction. None of the aforementioned bills moved beyond committee during the 2009 Long Session.

The county effective tax rate should not be a consideration for the distribution of lottery funds. Student enrollment would be a fairer method of distribution.

Oppose transferring the responsibility of North Carolina's secondary road infrastructure to counties – the elimination or decrease in current road infrastructure funding levels for municipalities or the transfer of any State maintained roads to municipalities.

As the State of North Carolina looks to update and increase its road infrastructure, various funding and road responsibility options have been discussed. Catawba County opposes any State options that redirect State road responsibilities to counties. Additionally, the County opposes all attempts to eliminate or decrease State transportation funds for municipalities (e.g. Catawba County's municipalities received a total of \$2,098,686.71 in Powell Bill funding in FY 2008-2009). During the State's FY 2009-2010 budget process, the Powell Bill was reduced statewide by 30.3%, which is expected to have a significant impact on municipalities.

Catawba County opposes any attempts by the State of North Carolina to shift the responsibility of any State roads to municipalities. Current law allows municipalities to individually negotiate with the Department of Transportation when considering the transfer of a road to a municipality. The current process is working well and should remain.

If the County was given the responsibility of secondary road maintenance, the price tag for Catawba County could reach \$5.9 million annually, based on the current State Department of Transportation budget for road maintenance in Catawba County. This would require a 3.9 cent increase on the County's property tax rate.

The addition of new revenue options for North Carolina in 2007 (1/4 cent sales tax and land transfer tax) were not intended to be a gateway for additional unfunded state mandates like the responsibility of secondary road maintenance. These revenue options were meant to help fund existing county responsibilities such as: water/sewer, economic development, court facilities, and public safety infrastructure. Any attempt to force road responsibilities on counties, justified by increased revenue options, would only create larger fiscal problems for counties and increase property taxpayers' burden.

Senate Bill 758 was introduced during the 2009 Long Session. If adopted, it would remove the secondary roads from the State Highway System and transfer responsibility of construction and maintenance to counties. The Bill did not move beyond committee, but remains eligible for consideration during the 2010 Short Session.

Oppose any State efforts to force additional unfunded mandates or take away local revenues as a result of the State budget crisis.

At the beginning of the 2009-2010 State budget process the General Assembly was faced with a \$3.2 billion shortfall. Fiscal challenges have continued into the current year. Most recent reports show that the State's General Fund revenues are \$110 million below target and overall collections are 1.5% below target. During previous State budget crises, the Governor and the General Assembly reduced the deficit by passing on additional unfunded mandates to counties or withholding local revenue. The impact of these actions is a growing burden on local taxpayers to pay for the State's budget shortfall.

To balance the 2009-2010 State budget, the General Assembly took several actions that impacted counties. Some of the major actions are highlighted below:

- Suspended Average Daily Membership (ADM) Funds for school capital for two years (Approximately \$1.3 million each year)
- Eliminated \$18 per day jail misdemeanor payments (\$187,478)
- 10% of Court Facility Fees were taken by the State (\$25,000 projected based on 08-09 revenues)
- Reduced allocation to schools, resulting in a combined budget decrease of \$8,884,134 for all three school districts.
- Cut funding to Catawba Valley Community College by \$1.2 Million as a result of a 3.5% cut to the original budget and a 5% reversion (2% was returned to CVCC due to enrollment growth).
- Decreased funding to the ASU Center in Hickory (Hickory Metro Higher Education Center) by \$250,000
- Cut Beer and Wine revenues by 2/3, resulting in an estimated \$245,000 loss to Catawba County.
- Required counties to provide office space to employees of the Department of Corrections assigned to the district court, which is a potential impact of \$38,000.
- Made reductions to Public Health in the Smart Start Program, and just recently made additional cuts to this program as well as Health Check. These reductions totaled \$102,898.
- Cut JCPC allocation by 5%; a reduction of \$17,943 dispersed among various programs.
- Cut funding for several programs within the Department of Social Services and also imposed unfunded mandates that resulted in an impact of \$550,650. Besides a reduction in direct aid, affected programs include Family N.E.T, Smart Start, Catawba County Schools, JCPC for Corner House I & II and Family N.E.T, and Mental Health Service Definitions.

Oppose attempts to eliminate the prohibition on collective bargaining for public employees.

During the last legislative session, several bills were introduced that would have eliminated or eroded the prohibition on collective bargaining for public employees in the State of North Carolina. These included Senate Bills 178 and 427 as well as House Bill 750, which would make it possible for collective bargaining to occur within the State and within local governments. None of these bills moved out of committee during the long session.

Allowing collective bargaining to occur would result in a significant increase in costs for all local governments in North Carolina. There would be additional costs associated with staff time spent on negotiations and the hiring of professionals to aid in the negotiation process. The cost of the process and materials required to write contracts, would also be incurred by local governments. Catawba County opposes any Bill that eliminates the current prohibition on collective bargaining for state and local government employees, which has been in effect since 1959.

Support greater flexibility in the use of E-911 funds, by encouraging adoption of the State 911 Board's 911 Study Group's recommendations, in full.

Catawba County, for many years has had the philosophy that E-911 funds should be used for the locating, receiving, processing, and dispatching of emergency calls for law enforcement, medical, rescue, and other public safety services.

Current law, and E-911 regulations, only allow for E-911 funds to be used for a portion of the entire emergency call process. Due to recent changes in the E-911 funding law, Catawba County has been forced to shift approximately \$215,532 in recurring 911 Center expenses, formerly paid by E-911 funds, to the property tax. This is not logical since the E-911 fee more closely reflect the population using the service.

In addition to more closely reflecting the users of this service, the greater flexibility in the use of E-911 funds will allow for a better level of 911 services for the public. By currently allowing county governments to only spend E-911 funds on functions relating to the receiving and utilizing voice and data, the State has taken away a tool county governments can use to invest in a more modern E-911 system, which includes equipment and training related to locating, processing, and dispatching of 911 calls. The ability to modernize 911 services will help to ensure the public's safety.

Several local pieces of legislation were introduced during the 2009 Long Session of the General Assembly that would have broadened the use of 911 Funds. Instead of taking action on these separate pieces of legislation, the General Assembly rolled all of the bills into a single piece of legislation calling for a study of the use of 911 Funds. Separately, the State's 911 Board formed a 911 Study group of 12 local government officials that were given the task of studying the 911 System. Assistant County Manager Lee Worsley was appointed to this group and they have been working since June 2009 on recommendations. The 911 Study Group presented recommendations to the 911 Board in December 2009, which included a recommendation to expand the use of 911 Funds. The 911 Board delayed action on the recommendation to expand the use of 911 Funds, despite clear direction from the General Assembly to make decisions on a recommendation on expansion of the use of 911 Funds. The General Assembly should consider the work of the 911 Study Group in its entirety and introduce legislation that will align the funding model of the 911 system with call receipt and dispatch of 911 calls.

Oppose attempts to reduce the property tax base, which leads to more burden on property taxpayers.

Recent legislative sessions have seen an attack on the property tax base. Attempts to reduce certain taxpayer group tax responsibility would leave a heavier burden on the general public for current service delivery mandates.

Catawba County was in opposition to several bills introduced during the 2009 Long Session that placed additional burden on property taxpayers. Senate Bill 610/House Bill 1541 and House Bill 889 were introduced to allow certain purchases to be exempt from sales tax such as petroleum gas use for domestic consumption and air-craft related purchases. Several other bills were introduced that would reduce property tax for certain items, increasing the burden for others and/or reducing revenue for the County.

Two Bills were also adopted during this session that reduced the property tax base. House Bill 852 will defer the property tax due on real property held for sale by a builder and is predicted to result in a reduction in revenues for local government while placing a greater burden on taxpayers to fund mandated government services. The Bill is estimated to have a significant impact on Catawba County with as much as \$25 million in value lost. Senate Bill 1057 was also passed which provides sales tax incentives for flight simulators.

Support an increase in the \$40 reimbursement rate for state inmates in county jails and reinstatement of the \$18 misdemeanor reimbursement.

During the 2009 Long Session the General Assembly abolished the \$18 per day reimbursement from the Department of Correction for counties holding misdemeanants serving 30-90 days. This amount was established in 1997 (prior to 1997, N.C. counties received \$14.50 per day). Based on these figures, the County will lose \$187,478 in revenue this fiscal year, due to the seizure of these funds by the State. Extending the time a misdemeanor could be housed by counties from 90 to 180 days was also discussed during the FY 2009-2010 budget process. However, this idea was never introduced as a bill.

Currently, counties continue to receive the \$40 reimbursement from the State for inmates housed in county jails while waiting to be transported into the State Prison System. In FY 2008-2009 Catawba County was reimbursed \$55,437 for these State inmates. The true cost to house these inmates was \$75 per day with a total annual cost of \$103,950. The \$40 reimbursement pays for only slightly more than half the true cost of housing an inmate and should be increased to better compensate counties for housing State inmates. Furthermore, Catawba County opposes any legislation that would result in a reduction in State funding of county jails and supports reinstatement of the \$18 per day reimbursement for misdemeanants held in county jails.

Support an exemption of State sales tax on purchases made by local school systems.

Over the past few years, the General Assembly has partially restored the sales tax refund for schools. The 2.25 cent sales tax (local option) refund for schools was restored in Fiscal Year 2005-2006, but a refund for the State portion of the Sales tax has not been restored. If school systems continue to be required to pay the entire State sales tax, they may seek additional funding from counties to offset this loss of funding. It is estimated that the three school systems in Catawba County spend about \$450,000 per year on state sales taxes. These funds could be put to better use toward the education of Catawba County's children.

During the 2008 Short Session, many bills were introduced to address this issue, but none were adopted. The Bills introduced included House Bills 2137 and 2548 and Senate Bills 1792 and 2084. Additionally, House Bill 2355 was introduced, which would have extended the same provision to community colleges. However, this Bill was not adopted.

In the 2009 Long Session, one Bill was introduced that would provide a sales tax refund for community colleges (House Bill 228/Senate Bill 313). Multiple bills were introduced to refund sales taxes for public school administrative units. These included House Bills 299 and 711, Senate Bill 462, and Senate Bill 312/House Bill 386. None of these Bills moved beyond committee during the Long Session.

Support the restoration of the financial incentives by the State for counties opting to be “Electing Counties”

When the concept of Work First Electing Counties was created by the North Carolina General Assembly in 1997, the General Assembly gave Electing Counties a monetary allocation for their assistance. To provide an incentive for counties to take part in the social experiment, the State allowed Electing Counties to shift their unspent “cash assistance” dollars to other service areas.

Electing Counties have created and continue to create many innovative programs and policies that the State has ultimately adopted. However, the State is pairing down the economic incentive for counties, resulting in an increased financial risk for Electing County status. For example, during Fiscal Year 2007-08, the State decreased the Electing County economic incentive for Catawba County by \$506,185, as the TANF Cash assistance allocation was reduced from \$1,599,925 to \$1,093,740.

If Electing County funds continue to be reduced, counties will have fewer resources to create programs for individuals in need or support current programs that are not receiving adequate funding from the State. For example, Catawba County designates unspent Electing County funding for Child Protective Services (CPS) intake and investigation needs. Currently, the County does not receive enough direct funds for CPS positions to oversee the large caseload requirement mandated by state law. If Catawba County’s Electing County funds continue to be decreased it will be difficult to maintain the current child welfare caseload requirements. Significant financial losses for electing counties were initially in the State budget during the 2009 Long Session. However, lobbying efforts by Catawba County and the County’s contract lobbyist prevented those cuts from going forward.

Support an increase in the reimbursement rate for local government legal work related to in rem foreclosures.

When property taxes are not paid, the County at times must use the legal means at its disposal to collect. Sometimes, foreclosure on a piece of real property is the best means to collect taxes that are delinquent. This is essential in order to maintain revenue and be fair to those citizens that are paying their taxes.

One option available to local government is a mortgage-style foreclosure, which must be conducted by an attorney and is time consuming and expensive. Due to its complicated nature, the mortgage-style foreclosure is much more susceptible to being challenged. When a mortgage-style foreclosure is used by local government, all fees and attorney’s fees (all hours the attorney works on the case) are allowed to be billed and collected from the proceeds of the sale following the foreclosure.

The other option available to local government is in rem foreclosure. This type of foreclosure is more cost effective and efficient than the mortgage style option. An in rem foreclosure is actually an action against the property, rather than the owner resulting in a more practical foreclosure process. This is especially true in cases where a foreclosure deal with heirs' properties. Despite its practicality, the average in rem foreclosure takes eight to nine months of staff time from start to finish. The administrative fee is limited to \$50 by State law, which does not take into consideration the amount of time spent by staff resolving a foreclosure. Given the staff time required to complete the foreclosure, the current fee does not adequately cover the cost of the process.

A fee of \$500 would be more appropriate to capture the effort required to complete an in rem foreclosure.

Support an increase in State funding for Child Advocacy Centers.

Catawba County has one of the state's strongest Child Advocacy Centers (CAC), which is fully accredited and cited as a "best-practice model." Catawba County's CAC promotes a coordinated response (typically with law enforcement, Child Protective Services, a mental health therapist, and the District Attorney's Office) to serious child sexual and physical abuse cases, which may result in criminal charges. Currently, Catawba County CAC is only receiving 8% of its funding from the state (estimated to be \$17,857 in Fiscal Year 2009-10) Although State funding for CACs is a relatively small allocation, these State dollars are unrestricted in use and can provide great flexibility to a budget that is primarily made up of a patchwork of private grants and donations—Catawba County supports the restoration of the allocation to at least \$25,000 for each of the accredited CACs (22) statewide.

During Fiscal Year 2008-09, Catawba County's CAC conducted 263 child interviews and 124 medical exams on-site. Interviews on site are conducted to decrease trauma and reduce anxiety associated with the investigative process, as measured by a 90 percent positive response from parents. In addition, medical exams on-site at the CAC are approximately half the cost of an emergency room visit and exam.

Support a rate increase for Medicaid and State mental health services.

In Fiscal Year 2008-09, Family NET continued to experience major financial challenges primarily due to mental health reform and the State's desire to reduce Medicaid expenses.

Overall, Catawba County has experienced a 32 percent average reduction in rates for 90 percent of the services in Family NET. This has accounted for over \$1M in lost revenues over the last 5 years.

During FYs 2007-08, 08-09, and 09-10 the reduction in funding has meant a drastic reduction in staffing, reductions in services to schools, a reduced ability to serve citizens timely, and the creation of waiting lists for certain enhanced services. It is inevitable that future reductions will further impact Catawba County's ability to provide consistent services across the continuum of care at Family NET.

Catawba County would like to see the State focus on providing tiered rates that adequately cover the services provided. Without this, the County's Family NET program will continue to struggle financially. In order to fully fund Family NET in its current structure, the County will need \$200,000 this year and \$235,000 next year. Furthermore, to serve all citizens as planned, the County will need in excess of \$500,000 this year and \$600,000 next year,—based on the current rate structure.

Support flexible local revenue options to reduce the burden on the property taxpayer.

For several years, Catawba County has worked to secure flexible local revenue options. Catawba County is supportive of the philosophy that what one local government has as a local revenue option, should be available to other local governments. Flexible revenue options would result in less burden on property taxpayers, as the recent passage of the ¼ cent sales tax has allowed. The ¼ cent sales tax was approved by Catawba County voters in November 2007 and will be used to avoid a 3.6 property tax increase over the next three years.

Support legislation facilitating target industry sectors and encouraging the County's competitiveness as a whole.

Currently the NC Rural Center only provides grant funding to rural counties considered to be in economic distress. Due to its status as an urban county, Catawba County does not qualify for this funding, despite being in significant economic distress. Average unemployment rates for 2009 (excluding December data) show that Catawba County, with over 14% unemployment, had the 10th highest unemployment rate in the state. Yet, no organization is specifically providing aid to urban counties whose high unemployment rates affect a larger portion of the state population than do rural counties. Catawba County maintains that during such times of economic hardship, awards intended for distressed counties from the NC Rural Center be made available for all counties in distress, including urban counties.

Businesses located in NC, that also have locations in other states, currently pay state income tax based on three factors: the percentage of their property located in NC, the percentage of sales made to residents in NC, and the amount of payroll paid to residents in NC. Twenty-two states have adopted a different approach, determining a state's share of income tax based on sales to their in-state residents alone. Catawba County is in favor of moving towards this taxation system, a single factor multi-state corporation income tax apportionment, due to the benefits it would bring to the area. This type of taxation for multi-state corporations would not only help North Carolina attract more businesses, it would help North Carolina retain the businesses already located within the state. This would be highly beneficial for economically distressed counties, like Catawba County, who is aggressively seeking out potential new industries to stimulate the distressed economy and mitigate the unemployment rate.

Support maintaining local control of the North Carolina ABC System and preservation of local revenues received from the system.

A locally controlled Alcoholic Beverage Control System allows operational decisions regarding the procurement of alcoholic beverages to be done at a local level. These decisions are not based on profit, but are made with the best interest of the community at heart.

Revenues resulting from profits from ABC Sales provided \$1 million in revenue to Catawba County during Fiscal Year 2008/09. To equal this revenue, a \$0.66 cent increase in the property tax would be necessary.

Work with the North Carolina Association of County Commissioners Regarding Local Preferences in Purchasing

The County will ask the North Carolina Association of County Commissioners (NCACC) to investigate the recent Executive Order regarding purchasing goods from North Carolina companies (Executive Order Number 50), which was issued on February 17, 2010 by Governor Beverly Perdue. NCACC will be asked to investigate if local governments can gain similar authority, or take similar actions to encourage local purchasing, as the Governor has ordered.

Support local legislation to allow Catawba County flexibility with energy efficient projects

During the 2009 legislative session, local legislation was adopted that exempted the City of Raleigh from the competitive bidding requirements for projects associated with specific energy efficiency programs and to authorize the cities of Raleigh and Winston-Salem to enter into a lease for the siting and operation of a renewable energy facility for twenty years without treating it as a sale and without giving notice by publication.

Catawba County will seek legislation to be included in this local act in order to facilitate the purchase of the GE-Energy – Nexterra gasification equipment for the Bio-Energy Facility without being subject to the competitive bidding requirements. This would greatly simplify and shorten the purchasing process by not being required to follow the rigors of sole sourcing the needed and unique equipment, and save the County's time and resources that otherwise would be wasted in garnering no additional qualifying bidders. Catawba County will also seek new legislation to give the County the ability to enter into a property lease for up to 20 years without treating the lease like a sale of property which subjects the lease to the sale by public auction, sealed bid, or negotiated offer and upset bid process. The new legislation for Catawba County will be limited to projects that are associated with renewable energy production, operation, and utilization and will only be employed with the specific approval of the board of Commissioners. This legislation can be used in facilitating the development of a Solar Renewable Energy Project at the closed Newton Landfill Property as well as other renewable energy opportunities.

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Adopted by the Catawba County Board of Commissioners on April 5, 2010

Amended by the Catawba County Board of Commissioners on May 17, 2010